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# **Campaign-style Implementation and Affordable Housing Provision in China**

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## **Abstract**

The existing literature identifies campaigns as an important tool of policy implementation for the Chinese Communist Party. However, scholars have yet to reach agreement about the effects of campaigns on policy outcomes. This paper helps to provide answers through an analysis of an affordable housing campaign adopted by the central government between 2011 and 2015. My findings are confirmed using regression analysis of a large original dataset that I compiled. The paper finds on one hand that the campaign strengthened the political incentives for local officials and they responded to the campaign by building more affordable housing. But the campaign's effects varied across different types of localities, which led to a significant mismatch between the allocation of government resources and the actual needs of local residents. These findings point to the defects of campaigns and China's need for more institutionalized mechanisms to implement policies prioritized by the national government.

A unique feature of policy implementation in China, as long noted by students of Chinese politics and public policy, lies in the extensive use of campaigns, which has been described as a type of policy implementation involving extraordinary mobilization of resources under political sponsorship to achieve a specific policy target within a defined period of time.<sup>1</sup> Campaign-style implementation in China is more abrupt, less institutionalized, and politicized compared with legal-bureaucratic implementation—the typical practice adopted in Western developed countries. Campaign-style implementation is widely used by the Party throughout a wide range of policy areas, such as to reduce poverty,<sup>2</sup> improve the environment,<sup>3</sup> fight against corruption,<sup>4</sup> and enforce laws and regulations.

Focusing on different policy areas, scholars have provided rich insights into the processes and mechanisms of post-Mao campaign-style implementation.<sup>5</sup> However, scholars have not reached agreement on what policy outcomes campaigns achieve. While some have argued that campaigns effectively overcome conflicts of interest between national policymakers and local stakeholders and help bridge the gaps between policy objectives and outcomes,<sup>6</sup> others

<sup>1</sup> Nicole Ning Liu, Carlos Wing-Hung Lo, Xueyong Zhan and Wei Wang, “Campaign-style Enforcement and Regulatory Compliance,” *Public Administration Review*, 75, no.1 (2015): 85–95.

<sup>2</sup> Xiaobo Lü, “Social Policy and Regime Legitimacy: The Effects of Education Reform in China,” *American Political Science Review*, 108 (2014): 423–437.

<sup>3</sup> Benjamin van Rooij, *Regulating Land and Pollution in China: Lawmaking, Compliance, and Enforcement: Theory and Cases* (Amsterdam University Press, 2006).

<sup>4</sup> Andrew Hall Wedeman, “Anticorruption Campaigns and the Intensification of Corruption in China,” *Journal of Contemporary China*, 14, no. 42 (2005): 93–116; Jiangnan Zhu, Huang Huang and Dong Zhang, “‘Big Tigers, Big Data’: Learning Social Reactions to China’s Anticorruption Campaign through Online Feedback,” *Public Administration Review*, 79 (2019): 500–513.

<sup>5</sup> Xueguang Zhou, “Yundongxing zhili jizhi: Zhongguo guojia zhili de zhidu luoji zai sikao” (The mechanism of campaign-style governance: rethinking the logic of state governance in China), *Kaifang shidai* [Open Times], 9 (2012); Shizheng Feng, “Zhongguo guojia yundong de xingcheng yu bianyi: jiyu zhengti de zhengtixing jieshi” (The formation and evolution of state campaigns in China: A regime-based explanation), *Kaifang shidai* [Open Times], 1 (2011); Martin Dimitrov, *Piracy and the State: The Politics of Intellectual Property Rights in China* (Cambridge University Press, 2009); Nicole Ning Liu, Carlos Wing-Hung Lo, Xueyong Zhan and Wei Wang, “Campaign-style Enforcement and Regulatory Compliance,” *Public Administration Review*, 75, no.1 (2015): 85–95.

<sup>6</sup> Nicole Ning Liu, Carlos Wing-Hung Lo, Xueyong Zhan and Wei Wang, “Campaign-style Enforcement and Regulatory Compliance,” *Public Administration Review*, 75, no.1 (2015): 85–95; Benjamin van Rooij, “Implementation of Chinese Environmental Law: Regular Enforcement and Political Campaigns,” *Development and Change*, 37, no.1 (2006): 57–74.

have noted the limitations of campaigns, including their focus on the quantity rather than quality of results and a lack of public consultation.<sup>7</sup>

In short, two questions about campaign-style implementation have not been satisfactorily answered. First, to what extent do campaigns effectively address the misalignment of interests between the national policy-makers and their local agents? Second, what policy outcomes do campaigns achieve in the targeted policy area? Empirically, most existing studies focus on case studies of only one or a few sites. While these can offer in-depth descriptions, they may point to different conclusions depending on case selection. To provide a more comprehensive picture about policy outcomes in campaigns, quantitative research based on large sets of data is also valuable.

To address these gaps in the literature, this article focuses on the affordable housing campaign conducted by the Chinese government between 2011 and 2015, which aimed to provide 36 million units of affordable housing within this five-year period to cope with skyrocketing housing prices and deteriorating housing affordability faced by urban residents. The paper examines bureaucratic behavior and policy outcomes in the campaign by comparing levels of local government spending on affordable housing provision across different localities. Examining this will enable us to evaluate the effectiveness of the campaign in addressing housing difficulties—the ultimate policy goal of the central government.

Drawing on media reports and my own interviews with officials in various localities, I will develop two arguments regarding the policy outcomes achieved in the campaign. First, I argue that the campaign generated a *political-mobilization* outcome: political pressure and incentives embedded in the campaign motivated local officials at various levels of government

<sup>7</sup> Martin Dimitrov, *Piracy and the State: The Politics of Intellectual Property Rights in China* (Cambridge University Press, 2009); Benjamin van Rooij, *Regulating Land and Pollution in China: Lawmaking, Compliance, and Enforcement: Theory and Cases* (Amsterdam University Press, 2006); , Kristen E. Looney, “China’s Campaign to Build a New Socialist Countryside: Village Modernization, Peasant Councils, and the Ganzhou Model of Rural Development,” *The China Quarterly*, 224, no.12 (2015): 909–932.

to step up their efforts in the provision of affordable housing, which was key to ultimately fulfilling the ambitious national target. In particular, it will be seen that local officials whose career prospects are more reliant on upper-level governments made greater efforts to implement the campaign. Second, the effect of the campaign varied across different types of localities: paradoxically, local officials responded more actively to the campaign in localities where societal demands for affordable housing were weaker, but less actively in localities where demands were stronger. This led to a *resource-misallocation* outcome: a significant mismatch between the distribution of government resources and the actual needs of citizens. Combining the two outcomes, my research shows that while campaigns strengthened local governments' efforts to provide affordable housing, they also resulted in policy distortions and significantly compromised China's effectiveness in addressing the affordability problem.

I compiled a data set from online archives and various statistical yearbooks, containing local officials' biographical information, details about land transactions and prices, and local spending on affordable housing for over 200 Chinese cities in 2013. First, the results show that city-level officials whose careers had been more dependent on the support of the provincial government, measured by these officials' previous work experience at the provincial level, spent a larger part of their city's budget, as well as more money on a per capita basis, on affordable housing. Second, the results also show that localities where the cost of land relative to average income was lower—rather than where residents faced greater housing difficulties—have seen more resources spent on affordable housing.

The above findings have important implications for the governance performance of the Party. After decades of rapid economic growth and social transformation, China still faces deficiencies in policy areas such as environmental protection and social welfare provision. This poses a threat to regime legitimacy and social stability, making it important for the Party to improve the way it governs. Some scholars suggest that despite China's weak abundance of rule of law, the single-party political system is still well-suited for the effective implementation of economic and social development policies, providing an alternative to the legal-bureaucratic

governance model adopted in most Western developed countries.<sup>8</sup> In line with this view, some empirical analyses have focused on how the Party's political tools, in particular the cadre management system, contribute to effective policy implementation and governance.<sup>9</sup> Through a nuanced analysis of how campaign-style implementation shapes bureaucratic behavior, my research suggests that, in contrast to everyday forms of governance, the CCP's reliance on target-setting during campaigns, non-institutionalized assignment of tasks, and politicized mechanisms generate compromised policy outcomes.

### **Campaign-style Policy Implementation in China**

Campaign-style implementation is different with the traditional legal-bureaucratic policy implementation model in two major respects. First, while legal-bureaucratic implementation is routinized and institutionalized based on formal rules and rationalized procedures, campaign-style implementation is disruptive and non-institutionalized. In campaigns, bureaucratic routines and existing institutional arrangements are often set aside and replaced by administrative measures that are often provisional and drastic. For example, in environmental campaigns, the government adopts what van der Kamp calls "blunt force" measures to reduce pollution, such as temporary closure of polluting plants and cutting off factories' access to electricity and water.<sup>10</sup> These *ad hoc* measures aim to fulfill extraordinary policy targets within a defined short period,<sup>11</sup> temporarily mobilizing massive administrative and financial resources, with significantly increased budgets and expanded manpower to

<sup>8</sup> Bo Rothstein, "The Chinese Paradox of High Growth and Low Quality of Government: The cadre Organization Meets Max Weber," *Governance*, 28, no.4 (2015): 533–548.

<sup>9</sup> Yasheng Huang, *Inflation and Investment Controls in China: The Political Economy of Central-local Relations During the Reform Era* (Cambridge University Press, 1999); Maria Edin, "State Capacity and Local Agent Control in China: CCP Cadre Management from a Township Perspective," *The China Quarterly*, 173, no.3 (2003): 35–52; Cai Zuo, "Promoting City Leaders: The Structure of Political Incentives in China," *The China Quarterly*, 224, no. 4 (2015): 955–984; Hongbin Li and Li-An Zhou, "Political Turnover and Economic Performance: The Incentive Role of Personnel Control in China," *Journal of Public Economics*, 89, no.9–10 (2005): 1743–1762; Pierre F. Landry, *Decentralized Authoritarianism in China* (New York: Cambridge University Press, 2008).

<sup>10</sup> Denise van der Kamp, "Clean Air at what Cost? The Rise of 'Blunt Force' Pollution Regulation in China," Paper presented at the American Political Science Association Annual Conference (2017).

<sup>11</sup> Shizheng Feng, "Zhongguo guojia yundong de xingcheng yu bianyi: jiyu zhengti de zhengtixing jieshi" (The formation and evolution of state campaigns in China: A regime-based explanation), *Kaifang shidai* [Open Times], 1 (2011).

enforce the campaign's targets.<sup>12</sup>

Another marked feature of campaign-style implementation lies in the extensive use of political tools. To mobilize bureaucratic compliance, campaigns rely heavily on command-and-control mechanisms, in which higher-level government bodies assign binding policy targets to their subordinates and use political means to ensure their fulfilment.<sup>13</sup> The assignment of targets is hierarchical, with the central government handing down assigned targets to provinces, and provincial governments assigning the targets they receive to cities and counties. The fulfillment of these targets is linked to local officials' career prospects in an effort to overcome bureaucratic resistance to implementation. Local officials are often required to sign "responsibility contracts" with upper-level governments, holding themselves personally accountable for the fulfillment of the targets. Individual officials are rewarded or punished politically based on their performance in the campaign. Those with outstanding performance are likely to receive political benefits such as awards and promotion, while those with poor performance receive demotions, admonishments and warnings. Quite often, higher-level governments also encourage inter-jurisdictional competition among lower-level officials to spur the latter's efforts to deliver better and more rapid policy outcomes.

Campaign-style implementation and legal-bureaucratic implementation are "ideal-type" concepts and represent the two ends of a spectrum. In practice, implementation can contain features from both types, and may lean more towards campaign-style or legal-bureaucratic from time to time.

From the perspective of public policy theories, campaign-style implementation fits into

<sup>12</sup> Nicole Ning Liu, Carlos Wing-Hung Lo, Xueyong Zhan and Wei Wang, "Campaign-style Enforcement and Regulatory Compliance," *Public Administration Review*, 75, no.1 (2015): 85–95.

<sup>13</sup> Genia Kostka, "Command without Control: The Case of China's Environmental Target System," *Regulation & Governance* 10, (2015): 58– 74; Genia Kostka and Chunman Zhang, "Tightening the Grip: Environmental Governance under Xi Jinping," *Environmental Politics*, 27, no.5 (2018): 769–781.



the political implementation scenario of Richard Matland's "ambiguity-conflict" model of policy implementation. According to this model, when policy goals are specified by policymakers with a low level of ambiguity while implementation faces great conflicts or resistance among the different stakeholders involved, the adoption of political tools such as special rewards and coercive mechanisms is conducive to successful implementation. As a result, policy outcomes are largely determined by the power relations and bargaining among these stakeholders.<sup>14</sup>

The CCP has a long tradition of using campaign-style implementation to achieve various political and policy goals. During the Maoist era, the Party adopted campaigns to conduct land reform, promote agricultural collectivization, and carry out struggle against "class enemies". After Mao's death, campaigns have remained a common practice of the Party, although several profound changes have occurred, transforming campaigns into a different type of political practice. While campaigns during the Maoist period were largely political, often involving the use of violence against targeted groups among the populace and/or the purges of officials, in the post-Mao period they have largely become a mechanism for policy implementation and to strengthen legal and regulatory enforcement.<sup>15</sup> While campaigns in the Maoist era often involved mass mobilization of ordinary people, today they tend to be confined within the party-state apparatus, which probably reflected post-Mao leaders' strong concerns with the deleterious effects of mass mobilization on social and political stability.<sup>16</sup>

In short, the Party today adopts campaigns to tackle weak implementation in important policy areas and to address problematic policy outcomes that could potentially undermine

<sup>14</sup> Richard E. Matland, "Synthesizing the Implementation Literature: The Ambiguity-conflict Model of Policy Implementation," *Journal of public administration research and theory*, 5, no. 2 (1995): 145–174.

<sup>15</sup> Yuhua Wang and Carl Minzner, "The Rise of the Chinese Security State," *The China Quarterly*, 222 (2015): 339–359; Martin Dimitrov, *Piracy and the State: The Politics of Intellectual Property Rights in China* (Cambridge University Press, 2009).

<sup>16</sup> Elizabeth J. Perry, "From Mass Campaigns to Managed campaigns: Constructing a New Socialist Countryside," in Sebastian Heilmann and Elizabeth J. Perry eds, *Mao's Invisible Hand: The Political Foundations of Adaptive Governance in China* (Cambridge: Harvard University Press, 2011): 30–61.

regime legitimacy and social stability. They simultaneously serve several objectives: to rapidly strengthen implementation in the targeted policy area; to promote policy awareness among both officials and the populace at large;<sup>17</sup> to demonstrate government responsiveness and accountability;<sup>18</sup> and to boost the prestige of individual leaders.<sup>19</sup>

It should also be noted that campaign-style implementation is not unique to China; it is widely adopted in other regimes and even democratic countries. For example, many governments adopt campaigns that combine intense enforcement and publicity to address drunk driving and speeding.<sup>20</sup> Most recently, Philippine President Rodrigo Duterte conducted a national campaign using violent extrajudicial means to crack down on drug trafficking, killing thousands of suspects without trial in less than a year. However, campaign-style implementation is particularly common in China and is one of the ruling party's most important governance tools. Besides the long tradition of using campaigns, the regime's weak rule of law—and thus the lack of effective rule-of-law-based policy implementation—and the deeply entrenched conflicts of interest between central policymakers and local bureaucrats have both contributed to the prevalence of campaign-style implementation.<sup>21</sup>

Many writers view campaigns as an effective mechanism to bridge the gaps between policy objectives and implementation. For example, Liu et al. praised environmental

<sup>17</sup> Nicole Ning Liu, Carlos Wing-Hung Lo, Xueyong Zhan and Wei Wang, "Campaign-style Enforcement and Regulatory Compliance," *Public Administration Review*, 75, no.1 (2015): 85–95.

<sup>18</sup> Shizheng Feng, "Zhongguo guojia yundong de xingcheng yu bianyi: jiyu zhengti de zhengtixing jieshi" (The formation and evolution of state campaigns in China: A regime-based explanation), *Kaifang shidai* [Open Times], 1 (2011).

<sup>19</sup> Jiangnan Zhu, Huang Huang and Dong Zhang, "Big Tigers, Big Data': Learning Social Reactions to China's Anticorruption Campaign through Online Feedback," *Public Administration Review*, 79 (2019): 500–513.

<sup>20</sup> Richard Tay, "The Effectiveness of Enforcement and Publicity Campaigns on Serious Crashes Involving Young Male Drivers: Are Drink Driving and Speeding Similar?" *Accident Analysis & Prevention*, 37 no.5 (2005): 922–929.

<sup>21</sup> Xueguang Zhou, "Yundongxing zhili jizhi: Zhongguo guojia zhili de zhidu luoji zai sikao" (The mechanism of campaign-style governance: rethinking the logic of state governance in China), *Kaifang shidai* [Open Times], 9 (2012).

enforcement campaigns for effectively aligning local officials' compliance and enforcement behavior with the regulatory demands of the central government.<sup>22</sup> Ahlers and Schubert similarly argued that the "Building a New Socialist Countryside" campaign generated outcomes that fit not only the policy objectives of the central government but also local conditions.<sup>23</sup> In contrast, other scholars have paid more attention to the drawbacks of campaigns. Dimitrov, for example, argued that government campaigns on intellectual property rights (IPR) enforcement encouraged local bureaucrats to increase the quantity but not necessarily the quality of their enforcement actions.<sup>24</sup> Furthermore, campaigns, while offering quick results in the short term, hinder long-term routine enforcement mechanisms and may also undermine the rule of law.<sup>25</sup> Finally, observing how rural development campaigns, such as the "New Socialist Countryside Program" and the "Village Redevelopment Program", were implemented, Looney and Rosenberg both noted strong government domination and weak public involvement leading to distorted policy objectives and unpopular outcomes.<sup>26</sup>

Most existing research tends to adopt case studies conducted in one or a small number of localities. As will be discussed in the following sections, campaigns generate different bureaucratic behavior and policy outcomes across different types of localities, depending in part on the different incentive environments faced by local officials and non-institutionalized political bargaining between different layers of the government. To capture such cross-regional variations, it is important to adopt a comparative perspective that covers a wide range of

<sup>22</sup> Nicole Ning Liu, Carlos Wing-Hung Lo, Xueyong Zhan and Wei Wang, "Campaign-style Enforcement and Regulatory Compliance," *Public Administration Review*, 75, no.1 (2015): 85–95.

<sup>23</sup> Anna L. Ahlers and Gunter Schubert, "Effective Policy Implementation in China's Local State," *Modern China*, 41, no.4 (2015): 372–405.

<sup>24</sup> Martin Dimitrov. *Piracy and the State: The Politics of Intellectual Property Rights in China* (Cambridge University Press, 2009).

<sup>25</sup> Martin Dimitrov. *Piracy and the State: The Politics of Intellectual Property Rights in China* (Cambridge University Press, 2009); Genia Kostka and Chunman Zhang, "Tightening the Grip: Environmental Governance under Xi Jinping," *Environmental Politics*, 27, no.5 (2018): 769–781.

<sup>26</sup> Kristen E. Looney, "China's Campaign to Build a New Socialist Countryside: Village Modernization, Peasant Councils, and the Ganzhou Model of Rural Development," *The China Quarterly*, 224, no.12 (2015): 909–932. Lior Rosenberg, "Why Do Local Officials Bet on the Strong? Drawing Lessons from China's Village Redevelopment Program," *The China Journal*, 74 (2015): 18–42.

localities. The empirical analysis of this article uses city-level data.

### **The Affordable Housing Campaign**

China's affordable housing policy was established in 1998, the same year the central government initiated a market-oriented housing reform. Before the reform, the government provided housing for urban residents through "work units" (*danwei*) such as government departments or state-owned enterprises. The housing reform replaced the socialist provision of housing dominated by *danweis* with market provision dominated by commercial property developers. Existing publicly-owned housing was privatized. In the meantime, the government also established the affordable housing policy to target urban residents facing housing difficulties.<sup>27</sup>

The policy framework established in 1998 for affordable housing included two major types: "economical and comfortable housing" (*jingji shiyong fang*, hereafter ECH) and "cheap rental housing" (*lianzu fang*, hereafter CRH). ECH is ownership-based affordable housing, built by real-estate developers on land plots provided by the government free of charge and subsequently sold to mid- to low-income households at subsidized prices. CRH refers to subsidized rental housing or rent subsidies provided to "low-income households with housing difficulties" (*di shouru zhufang kunnan hu*). Both types of affordable housing are provided only to residents who have local urban *hukou*; migrants are not eligible.<sup>28</sup>

Several adjustments to the above policy framework took place during the following two decades. In 2007, the government issued an important policy document to set clearer criteria for different types of affordable housing.<sup>29</sup> It closed several loopholes in the previous policy to achieve more effective targeting. It also required local governments to spend more on affordable

<sup>27</sup> Ya Ping Wang and Alan Murie, "The New Affordable and Social Housing Provision System in China: Implications for Comparative Housing Studies," *International Journal of Housing Policy*, 11, no. 3 (2011): 237–254.

<sup>28</sup> Ya Ping Wang and Alan Murie, "The New Affordable and Social Housing Provision System in China: Implications for Comparative Housing Studies," *International Journal of Housing Policy*, 11, no. 3 (2011): 237–254.

<sup>29</sup> State Council. 2007. No. 24. Guowuyuan guanyu jie jue chengshi di shouru jiating zhufang kunnan de ruogan yijian (Suggestions from the State Council on solving housing difficulties of urban low-income households).

housing, including at least 10% of the revenue they received through land sales to real-estate developers. In 2010, the central government began to promote two additional types of affordable housing: “public rental housing” (*gongzu fang*, or PRH), for which migrant workers were also eligible, and “shanty town redevelopment” (*penghuqu gaizao*), to meet the housing needs of different segments of the urban population with housing difficulties.<sup>30</sup>

Even so, the programs still largely failed to achieve the government’s housing goals. This is mainly because the decisions to provide affordable housing were left to the discretion of the local government, which had to undertake the costs of building affordable housing using local budgets. Under the Party’s cadre management system that rewards local leaders for economic development, local officials have had little incentive to prioritize spending on affordable housing. The lack of incentives was exacerbated by the need of the local government to provide land for the construction of affordable housing. Land is valuable and an important source of revenue for local governments,<sup>31</sup> and officials strongly preferred selling land on the market to providing it free of charge for the construction of affordable housing. As a result, the building of affordable housing had lagged far behind that of commercial housing. Between 1997 and 2007, while the annual supply of commercial housing on the private market had grown tenfold, the provision of ECH remained largely unchanged.<sup>32</sup> The development of CRH was even slower.<sup>33</sup> This is because unlike ECH apartments, which are for sale and thus part of the city’s investment can be recovered, CRH apartments can only be rented out, and the construction costs of building CRH cannot be recovered within a short period. It is estimated that as of 2010, a dozen years after the program was announced, only 2.8% of low-income households in Beijing lived in CRH.<sup>34</sup>

In the context of soaring house prices in Chinese cities, the inadequate provision of

<sup>30</sup> Youqin Huang, “Low-income Housing in Chinese Cities: Policies and Practices,” *The China Quarterly*, 212, no. 12 (2012): 941–964.

<sup>31</sup> For a comprehensive analysis of land institutions in China and the importance of land to the local government, see Meg Rithmire, *Land Bargains and Chinese Capitalism: The Politics of Property Rights under Reform* (Cambridge University Press, 2015).

<sup>32</sup> Joyce Yanyun Man, “Affordable Housing in China,” *Land Lines*, 23 (2011): 16–20.

<sup>33</sup> Ya Ping Wang and Alan Murie, “The New Affordable and Social Housing Provision System in China: Implications for Comparative Housing Studies,” *International Journal of Housing Policy*, 11, no. 3 (2011): 237–254.

<sup>34</sup> Youqin Huang, “Low-income Housing in Chinese Cities: Policies and Practices,” *The China Quarterly*, 212, no. 12 (2012): 941–964.

affordable housing poses serious challenges.<sup>35</sup> In 2013, house prices in large- and medium-size cities were around four times higher than a decade earlier, and the price increases were even more dramatic in major cities such as Beijing, Shanghai, Guangzhou and Shenzhen.<sup>36</sup> In a survey conducted by the central bank in 2010 among the residents of 50 cities, over three-quarters of respondents considered housing prices “too high to accept”<sup>37</sup>. During the annual meeting of the National People’s Congress in 2010, the Minister of Housing and Urban-Rural Development (MOHURD), warned that “too high and too rapid a rise in house prices may cause social instability.”<sup>38</sup>

This realization prompted the Party and central government to raise affordable housing provision as a top policy priority. In 2011, the government put forward an ambitious plan to build 36 million affordable housing units within five years—including ECH, CRH, PRH and shanty town redevelopment—and pledged to cover 20% of urban households.<sup>39</sup> The plan was announced by then-Premier Wen Jiabao in February 2011 during the annual meeting of the National People’s Congress.<sup>40</sup>

The party-state embarked on a nationwide campaign entailing massive mobilization of financial and administrative resources and use of the highly politicized command-and-control mechanism, to ensure 36 million units of affordable housing actually got built. Over the five years between 2011 and 2015, the central government spent over two trillion yuan on this, of which a trillion yuan was in the form of fiscal subsidies devoted to affordable housing, with

<sup>35</sup> Wei Shi, Jie Chen and Hongwei Wang, “Affordable Housing Policy in China: New Developments and New Challenges,” *Habitat International*, 54 (2016): 224–233.

<sup>36</sup> Hanming Fang, Quanlin Gu, Wei Xiong, and Li-An Zhou, “Demystifying the Chinese Housing Boom,” *NBER Macroeconomics Annual* 30 (2016): 105–166. Jing Wu, Yongheng Deng, and Hongyu Liu, “House Price Index Construction in the Nascent Housing Market: the Case of China,” *The Journal of Real Estate Finance and Economics*, 48, no.3 (2014): 522–545.

<sup>37</sup> “Central Bank Survey: 75.5% of residents deem house prices as high; satisfaction level reaches lowest among 11 years”, available at <http://news.fang.com/2010-12-16/4206912.htm>, accessed on April 30, 2016.

<sup>38</sup> “Jiang Weixin: Too high and too rapid rise of house price may cause social instability”, available at <http://news.sina.com.cn/c/2010-03-08/163919817501.shtml>, accessed on March 6, 2016.

<sup>39</sup> Strictly speaking, the central government had begun to assign numerical targets for affordable housing construction among local governments since 2009, but it is in 2011 that central government significantly escalated its effort with a unprecedentedly ambitious national plan.

<sup>40</sup> This commitment was reiterated by President Xi Jinping during a Politburo meeting in October 2013. See <http://finance.sina.com.cn/china/20131031/0201171228.shtml>, accessed on April 30, 2016.

another trillion matched by local governments. Table 1 summarizes the fiscal spending by central and local governments on affordable housing and the numbers of units of affordable housing completed between 2011 and 2015, and also for the period before 2011 where data is available.<sup>41</sup> As a result of the enormous investment, construction had started since 2011 on over 40 million units of affordable housing, of which 29 million units were completed by 2015. In the single year of 2011, the number of affordable housing units under construction reached over 10 million, a figure nearly equal to the total amount of affordable housing constructed over the previous period between 1994 and 2008.

[Table 1 about here.]

Intense media coverage publicized the sheer scale of the campaign. Figure 1 shows the frequency of media coverage on affordable housing published in Chinese newspapers between 2000 and 2015. The data used in this figure come from a search of articles published in 602 national and local newspapers during this period for the key phrase “guaranteed [affordable] housing” (“保障房” and its longer variants “保障性住房” or “住房保障”).<sup>42</sup> As Figure 1 shows, the affordable housing issue began to be widely publicized beginning in 2007, peaking in 2011 as the housing campaign got underway. Because most newspapers are either owned or controlled by the government, the intensity of coverage that year and in the following years reflects the central government’s efforts to promote policy awareness of the campaign, which in turn helped enhance government legitimacy.

[Figure 1 about here.]

To fulfil the ambitious national target, the MOHURD assigned annual targets among the provincial-level governments, specifying the number of units each province was required to build within a year. Each province then assigned the target it received to prefecture-level cities, which further assigned targets downwards to counties and small cities. The assignment of

<sup>41</sup> The data presented here combine spending from both the government’s general budget (*yiban gonggong yusuan*) and a special fund budget (*jijin yusuan*), based on statistics made available on the website of the Ministry of Finance. For example, the data on affordable housing expenditure in 2014 is available at [http://zhs.mof.gov.cn/zhengwuxinxi/zonghexinxi/201504/t20150407\\_1213602.html](http://zhs.mof.gov.cn/zhengwuxinxi/zonghexinxi/201504/t20150407_1213602.html), accessed on January 30, 2017.

<sup>42</sup> The data is collected from the newspaper articles in the China Knowledge Resource Integrated Database (*Zhongguo zhiwang*). The database includes all articles published in over 600 national and local newspapers since 2000.

targets typically followed two steps: first, officials in lower-level governments submitted plans to the upper level to report how many units they were willing to construct. Second, since the self-reported targets often fell short of the goals of the upper-level governments, negotiations commenced with the subordinate governments, offering additional incentives and imposing stronger political pressure to demand higher targets. The negotiation process was shaped by the political and economic interests of the governments at the higher and lower levels as well as the interpersonal relationships among individual officials.

Once the targets were determined, top-down command-and-control mechanisms were adopted to ensure their fulfillment in a timely manner. Every year, lower-level officials signed “affordable housing work target and responsibility contracts”<sup>43</sup> (*zhufang baozhang gongzuo mubiao zerenshu*) with their supervisors.<sup>44</sup> The contracts stipulated the numbers of various types of affordable housing the lower-level government was required to build within the contract year. They sometimes also included targets related to other aspects of the affordable housing policy, such as the rate of completion and the occupancy rate. Other targets were more vaguely specified, such as housing quality and matching infrastructure. Local officials’ success in accomplishing these targets was linked with their performance evaluations and thus their career prospects. The central government disciplined provincial officials who failed to achieve their targets and rewarded those who did achieve them. The evaluation system was hierarchical, with provincial leaders similarly supervising local officials in the cities, who in turn supervised lower levels.

## **Empirical Analysis**

This section empirically examines local governments’ spending behavior and policy outcomes in the affordable housing campaign. Based on the existing literature, media reports, my original interviews conducted in various provinces including Heilongjiang, Guangdong and Guizhou, and statistical analysis of a large dataset that I have compiled, I propose the argument that while

<sup>43</sup> Youqin Huang, “Low-income Housing in Chinese Cities: Policies and Practices,” *The China Quarterly*, 212, no. 12 (2012): 941–964.

<sup>44</sup> At the central level, the responsibility contracts were signed between the MOHURD and provincial governments. At the provincial level, the contracts were signed between provincial and city-level governments.



the campaign indeed strengthened the local officials' efforts on affordable housing provision, it failed to effectively address the problem of interest misalignment between central and local governments and, moreover, led to systematic incentive distortions and goal displacement by local officials.

More specifically, since building 36 million units became a serious political commitment by the Party's leadership, and fulfilling the quantitative targets in a timely manner was tightly linked to cadre performance evaluation, local officials prioritized target fulfillment to other aspects of policy outcomes, such as the fairness of allocation, infrastructure, and housing quality. The political imperative of fulfilling the targets encouraged officials to "muddle through"—they adopted "coping behaviors such as selective implementation, distortion or fabrication of records which would induce a decoupling of symbolic compliance from substantive compliance, and the pursuit of short-run gains at the expense of long-term benefits."<sup>45</sup>

Moreover, the assignment of targets across different localities involved a non-institutionalized bargaining process between different levels of the government. The imperative of meeting the targets prompted officials in both the central and provincial governments to focus primarily on how many units were built rather than where they were built. In other words, for higher-level governments, one additional unit in a small town was treated with little difference with one in a major city. The lack of sufficient institutionalization therefore left ample room for local officials to negotiate with superiors about their own targets. More specifically, local officials weigh the political benefits of building more affordable housing against the costs incurred to their own budgets. The calculations of costs and benefits encouraged local officials to make strategic decisions in affordable housing provision, and such strategic decisions have led to three observable empirical implications.

First, local officials often adopted certain expedient strategies that could help them meet the target of affordable housing at lower cost. Examining the affordable housing projects in Beijing, Chen et al. and Dang et al. find that these projects are typically located at the urban

<sup>45</sup> Xueguang Zhou, Lian Hong, Ortolano Leonard, and Yinyu Ye, "A Behavioral Model of 'Muddling Through' in the Chinese Bureaucracy: The Case of Environmental Protection," *The China Journal*, 70 (2013): 120-47.

fringes, where housing prices are relatively low, leaving districts with higher house prices insufficiently covered.<sup>46</sup> Such practices reflect the unwillingness of local governments to devote land at the premium location to affordable housing. Moreover, both media reports and my own fieldwork suggest that it is a common practice for local governments to build so-called “designated affordable housing” (*dingxiang baozhang fang*, 定向保障房): that is, affordable housing constructed exclusively for designated groups such as public sector or state-enterprise employees.<sup>47</sup> Many of the beneficiaries in these groups did not belong to the mid- or low-income population, therefore violating the allocation principle stipulated in the national policy. From the perspective of the local government, the advantage of designated affordable housing is that it helps shift part of the expenditures to the public agencies and state-owned enterprises that were the beneficiaries, recovers the construction cost more rapidly by selling the units to financially better-off customers, and provides benefits to the local government’s own public-sector employees while at the same time fulfilling the policy targets.

Second, career interests became an important motivation driving the local officials’ efforts in the campaign. Before the campaign, local leaders rarely perceived affordable housing projects as beneficial to their career prospects—promoting economic growth and raising government revenue were the most important priorities. The campaign marked a significant shift of incentives. Ambitious local officials began to view affordable housing projects, especially on a massive scale, as achievements that could be shown to their superiors to demonstrate their competence and loyalty. Some local officials pursued affordable housing in disregard of local financial conditions and the actual demand for such housing.<sup>48</sup> Therefore,

<sup>46</sup> Mingxing Chen, Wenzhong Zhang, and Dadao Lu, “Examining Spatial Pattern and Location Choice of Affordable Housing in Beijing, China: Developing a Workable Assessment Framework,” *Urban Studies*, 52, no.10 (2015): 1846–1863; Yunxiao Dang, Zhilin Liu, and Wenzhong Zhang, “Land-based Interests and the Spatial Distribution of Affordable Housing Development: The Case of Beijing, China,” *Habitat International*, 44 (2014): 137–145.

<sup>47</sup> Interviews in Guangdong and Guizhou, July 2018. Also see, for example, “Hainan Gongwuyuan xiaoqu lieru baozhangxing zhufang” (Hainan civil servant housing project being listed as affordable housing), *Zhongguo Qingnian Bao* [China Youth Daily], available at [http://zqb.cyol.com/html/2011-03/22/nw.D110000zgqnb\\_20110322\\_1-05.htm](http://zqb.cyol.com/html/2011-03/22/nw.D110000zgqnb_20110322_1-05.htm), accessed on August 19, 2019 and “Baozhang fang he fuli fang: bianjie zai nali” (“Where is the boundary between affordable housing and welfare housing”), *Dongfang Zaobao* [Oriental Morning Post], available at <http://finance.ifeng.com/money/roll/20120831/6969768.shtml>, accessed on August 19, 2019.

<sup>48</sup> For example, at the Chinese People’s Political Consultative Conference’s (CPPCC) annual meeting in 2015, Xu Junjian, a deputy to the Conference, criticized the practice of affordable housing provision as dominated by local leaders’ will and disregarding the actual need, and such practice, he argued, led to the oversupply of affordable housing and waste of public resources in many places. See “Zhengxie weiyuan Xu Junjian: baozhang fang kongzhi cheng zhengji gongcheng, ke gaicheng anxu dingjian” (CPPCC deputy

the campaign did achieve a political mobilization effect, motivating local officials to provide more affordable housing. However, not all local officials responded equally to the political mobilization. According to interviewees who are officials in Heilongjiang and Guizhou Provinces, the behavior of local officials varied greatly in the intergovernmental bargaining over the allocation of affordable housing targets—those whose career prospects relied more on the support of the upper-level government and/or had closer personal connections with provincial leaders responded more actively.<sup>49</sup>

Third, the effects of the campaign varied across different types of localities. Localities where the cost of land was lower—which also means that local residents likely faced lower barriers to buying their own housing—responded more enthusiastically to the campaign. The largest component in the cost structure of affordable housing lies in the cost of land, which includes both the actual cost of acquiring land from existing land users and the opportunity cost given that the local government would be sacrificing the revenue it would obtain if the land was sold to real-estate developers. As a result, local officials in localities where the cost of land was higher were generally less willing to build affordable housing. These localities tended to be major cities where local residents faced the greatest housing difficulties. By contrast, local officials in smaller and less developed cities—where the cost of land was relatively lower—were much more enthusiastic about building affordable housing, as the officials could gain the political capital for career advancement at relatively lower cost. Many “third-tier” and “fourth-tier” cities are reported to have constructed excessive units of affordable housing, which had to be left unoccupied or sold to households that did not qualify due to insufficient demand from qualified residents.<sup>50</sup> Due to such cost-benefit considerations among local officials, the supply of newly built affordable housing failed to match local demands. Officials at all levels of the government have long been aware of this problem but have had little

Xu Junjian: empty affordable housing becomes political achievement projects and should be built based on actual need), *Pengpai* [The Paper], available at [https://www.thepaper.cn/newsDetail\\_forward\\_1308763](https://www.thepaper.cn/newsDetail_forward_1308763), accessed on August 20, 2019.

<sup>49</sup> Interviews in Heilongjiang, August 2015 and in Guizhou, July 2018.

<sup>50</sup> For example, see “Xuqiu youxian houqi nanguan: san- sixian chengshi jian baozhang fang yinggai yindi zhiyi” (Limited demand and difficult management: affordable housing construction in third- and fourth-tier cities should consider local conditions), *Jingji Cankao Bao* [Economic Information Daily], available at [http://news.xinhuanet.com/finance/2016-01/28/c\\_128677709.htm](http://news.xinhuanet.com/finance/2016-01/28/c_128677709.htm), accessed on June 29, 2016.

incentive to address it, given the strong political pressure they faced to fulfill the campaign targets in time.

It should be noted that while such policy distortions and misallocation of resources are by no means unique in campaign-style implementation, a campaign's ambitious target setting, non-institutionalized assignment of tasks and command-and-control mechanisms exacerbate the distortions and misallocations. Before the campaign, when political pressures to build housing were low, local officials had few career incentives to build affordable housing, and the housing that did get built was normally in the wealthiest cities that could afford it. For example, Beijing was a pioneer in affordable housing development before the campaign. Between 1998 and 2005, affordable housing contributed to 10-18 per cent of the new housing built in the city.<sup>51</sup> This is dramatically different with the pattern observed during the campaign, in which smaller and poorer cities demonstrated much stronger activism in affordable housing provision and constructed a higher proportion than did the large cities.

## **Data and Variables**

To test my arguments statistically, this section analyzes the patterns of the local governments' expenditures on affordable housing in 280 Chinese cities in 2013.<sup>52</sup> These cities include prefectural-level and vice-provincial-level cities in all provinces except Tibet and Xinjiang.<sup>53</sup>

The dependent variable of the analysis seeks to capture the spending by a city's government on constructing affordable housing. I measure this first on a per capita basis and then as the share of total local fiscal expenditure, as the dependent variable. The term "fiscal spending" used here refers to the combination of expenditure using local government revenue and fiscal transfer from upper-level governments. The data on affordable housing spending come from the *China Statistical Yearbook for Regional Economy (Zhongguo quyu jingji tongji nianjian)*.

<sup>51</sup> Ya Ping Wang and Alan Murie, "The New Affordable and Social Housing Provision System in China: Implications for Comparative Housing Studies," *International Journal of Housing Policy*, 11, no. 3 (2011): 237–254.

<sup>52</sup> While ideally the analysis should cover the whole campaign period, data on cities' fiscal spending on affordable housing is available only for 2013.

<sup>53</sup> Xinjiang and Tibet are excluded due to missing values in key variables.

Figure 2 illustrates the pattern of spending on affordable housing as the share of local fiscal expenditure across the 280 cities. The blank areas in the map are either regions that are categorized as other types of prefectural-level administrative units (e.g., autonomous prefectures and *meng*, 盟) or cities for which data is not available. The different shadings indicate different levels of fiscal spending on affordable housing, categorized by quartile. The darker shade indicates that the city spent a higher proportion of its budget on affordable housing. It can be seen that the darker-shaded metropolitan regions are not on China's east coast. The data used in Figure 2 also reveals that provincial capitals and vice-provincial-level cities put a lower portion of fiscal expenditure on affordable housing than smaller cities.

[Figure 2 about here.]

The first independent variable aims to test the effect of the political tools adopted by the Party on local officials' behavior in the campaign. As discussed earlier, the campaign's mobilization effect should vary depending on the extent to which local officials' career prospects relied on the support of the upper-level government. More specifically, city-level officials whose career prospects relied more on the support of the provincial government built more affordable housing. To measure the extent to which city-level officials' career prospects relied on the provincial government, I used these officials' career backgrounds as an indicator. Following the work by Huang and coauthors, my assumption was that those who had prior experience working inside the provincial government of the same province should feel their interests more closely aligned with the provincial government and should respond more actively to the policy targets assigned from the latter. By contrast, local officials whose past careers had been primarily based in their own localities should be more attached to the interests of local elites, and therefore should be less enthusiastic in implementing policies that are in conflict with local political and economic interests.<sup>54</sup> Following this logic, I coded a variable *Provincial experience* as 1 if a city-level official had work experience in the provincial government of the province in which she or he was based and as zero if not. Since city-level officials received their targets of affordable

<sup>54</sup> Yasheng Huang, *Inflation and Investment Controls in China: The Political Economy of Central-local Relations during the Reform Era* (Cambridge University Press, 1999); Yasheng Huang and Yumin Sheng, "Political Decentralization and Inflation: Sub-national Evidence from China," *British Journal of Political Science*, 39, no.2, (2009): 389–412.

housing directly from their provincial supervisors—in particular, governors—those who had work experience in the provincial government should respond more actively by spending more on affordable housing provision.

The second independent variable tests whether the campaign led to efficient allocation of resources in the sense that the local government's expenditures matched demands for affordable housing among local residents. More specifically, I examined whether cities with lower levels of housing affordability spent more on affordable housing. I used two variables to measure the level of housing affordability: the ratio of the city's average per-square-meter land price to average per capita income among urban residents (*Land-price-to-income ratio*); and the share of homeowners among the urban households of the city (*Share of homeowners*).<sup>55</sup> If the campaign led to efficient allocation of housing resources, we should expect local governments in cities with lower levels of housing affordability to spend more expenditures on affordable housing.

To calculate land-price-to-income ratios, I rely on a dataset of all land transactions that occurred in 2012 in the land markets of the cities included in the sample. Information about these land transactions was obtained from [www.landchina.com](http://www.landchina.com) (*Zhongguo tudi shichang wang*), a website managed by the Ministry of Land and Resources. Each entry of the dataset records information about one land transaction, including the type of the land plot involved, the method of the transaction, the listing and final prices, date of the transaction, and location of the land plot. For the purposes of this study, I focused on the transactions of all residential and commercial land plots sold at auctions, which resulted in a total number of 49,697 transactions. Based on this information, I was able to calculate for each city the average unit price of all residential and commercial land plots sold in 2012, and then calculated the ratio of average unit land price to the per capita income of urban residents.<sup>56</sup>

The second measure of housing affordability is the share of urban households who own

<sup>55</sup> In the literature of housing and real-estate studies, the most commonly adopted measure for housing affordability is the ratio of house prices to income. However, reliable data on house prices at the city level in China is limited. I acknowledge the limitations of the measures.

<sup>56</sup> Data on the per capita income of urban residents comes from the *China Statistical Yearbook for Regional Economies*.

their homes (*Share of homeowners*), on the assumption that a lower share normally indicates fewer households can afford to. Data for this variable comes from the Sixth National Population Census, conducted in 2010. In constructing the measure, I used data from households who live in urban districts of metropolises rather than nearby counties or county-level cities.

Figures 3 and 4 plot the *Land-price-to-income ratio* and *Share of homeowners* respectively in the y-axis against GDP per capita in the x-axis. Both figures suggest that the residents of more affluent cities in the coastal regions, including Shanghai, Hangzhou, Shenzhen, and Xiamen, tended to face higher levels of housing difficulty. The two variables are strongly correlated (correlation coefficient 0.46) with each other, further confirming their measurement validity.

[Figure 3 about here.]

[Figure 4 about here.]

I also control for inflation-adjusted GDP per capita, fiscal expenditure per capita, and the size of urban population, all in log forms.<sup>57</sup> All of the independent variables, except for the work experiences of local leaders, lag by one year.

Table 2 reports the results of the regression analysis. The first two columns use as the dependent variable local spending on affordable housing as a percentage of total local fiscal expenditure, while the last two columns use the log transformation of affordable housing spending per capita as the dependent variable.

[Table 2 about here.]

Overall, the results confirm that local officials, especially mayors, who had prior work experience inside the provincial government spent a larger portion of their budget on affordable housing compared with those who had no such experience. Substantively, the former spent on average an additional 0.2-0.6 percent of local fiscal expenditure, or 5%-14.9% more expenditure per capita, on affordable housing. These lead to substantial differences given that on average a

<sup>57</sup> Data for the first two variables come from the *China Statistical Yearbook for Regional Economy*, while data for urban population come from *Chinese Population Statistics by Counties and Cities (quanguo fen xianshi renkou tongji ziliao)*.

city spent only 4.2% of its fiscal expenditure on the provision of affordable housing. Moreover, the mobilization effect is stronger for mayors than for Party secretaries. This is because compared with Party secretaries, mayors played a more important role in the implementation of the affordable housing campaign.<sup>58</sup>

Second, the two measures of housing affordability point consistently to the finding that localities that spend more resources on affordable housing are not those where local residents faced greater housing difficulties. To the contrary, the greater the housing difficulties that local residents faced, the smaller the proportion of the city's budget that was spent on affordable housing, as well as lower per capita spending on this. Substantively, a one percentage point increase in the land-price-to-income ratio reduces per capita local spending on affordable housing by 3%, and the share of affordable housing spending in local fiscal expenditure by 0.12 percentage points. Similarly, when the proportion of homeowners among local households decreases by one percentage point, the local fiscal spending on affordable housing decreases by 0.82 per cent on a per capita basis or by 0.04 percentage points in terms of the share of total local fiscal expenditure. These results confirm that the campaign was more effective in cities where land prices were lower and housing was more affordable than in cities where land prices were higher and residents faced greater housing difficulties. In short, the statistics back up my finding that the campaign's varying effect in different types of localities shows misallocation of resources and distorted policy outcomes. As discussed earlier, this is because, on the one hand, the campaign leaves significant room for political bargaining over the allocation of targets between the central and local governments and between different levels of local governments. In the bargaining, the calculations of benefits and costs by local officials, rather than residents' actual needs, played a dominant role in determining policy outcomes. On the other hand, while the central government was strongly committed to the national goal of building 36 million units within five years, it became more concerned with fulfilling the goal itself than allocation efficiency or the effectiveness of the campaign in meeting the actual housing needs of local

<sup>58</sup> Party secretaries and mayors hold different responsibilities and therefore face different political incentives. It has been argued that Party leaders are in charge of Party priorities and sustaining Party rule, whereas government executives make economic and social policies and undertake direct daily governance. See Pierre Landry, *Decentralized Authoritarianism in China* (Cambridge: Cambridge University Press, 2008); Cai Zuo, "Promoting City Leaders: The Structure of Political Incentives in China," *The China Quarterly*, 224, (2015): 955-984. In the policy area of affordable housing, it is mayors rather than Party secretaries who sign responsibility contracts with central and provincial governments. Moreover, when higher-level governments engaged in "warning conversations (*yuetan*)" with local officials about affordable housing, it is mayors (or governors at the provincial level), rather than Party secretaries, who were warned.



residents.

Among the control variables, stronger fiscal capacity significantly increases the government's effort to build affordable housing, other things being equal. When a city's per capita local fiscal expenditure increases by one percentage point, the per capita spending of the city on affordable housing increases by 1.39-1.46 per cent, or 0.02 percentage points as a share of local spending. But both GDP per capita and the size of the urban population have negative effects on local governments' spending on affordable housing. In other words, local governments in poorer and smaller cities tend to be more active in complying with the national campaign to build more affordable housing. In more developed and populated localities where prices for private properties are typically higher, local governments are less willing to provide otherwise profitable land for affordable housing. By contrast, poorer and smaller cities earn less profit from selling land to real-estate developers, so they are more willing to respond to the wishes of the national government by providing more affordable housing.

[Table 3 about here.]

Table 3 shows the results of regressions using data from prefecture-level cities only. As mentioned earlier, some huge Chinese cities have the bureaucratic rank of a province (i.e., Beijing, Shanghai, Tianjin, and Chongqing) or hold a vice-provincial level status (e.g. Qingdao, Dalian, Ningbo, and Nanjing).<sup>59</sup> The leaders of these cities have higher bureaucratic ranks than leaders in ordinary prefecture-level cities, and the governments in these cities typically enjoy greater administrative and economic power. More importantly, unlike prefectural-level cities, the affordable housing targets of cities that count as provinces and vice-provincial-level cities were directly decided by the central government. As a result, it may be reasonable to distinguish between these cities and prefecture-level cities in the analysis. To address this concern and show the robustness of the results, I ran another set of regressions using prefecture-level cities only. While the number of observations reduces to 248, the main findings remain unchanged, suggesting my findings are robust.

<sup>59</sup> In total there are 16 vice-provincial level cities in China. They were previously called *jihua danlie shi*, meaning that the governments of these cities enjoy the same power as governments at the provincial level in various aspects of administrative and economic management areas. In this study, I count provincial capitals also as vice-provincial cities because the Party secretaries of provincial capitals are provincial Party standing committee members and therefore vice-provincial officials. The mayors of provincial capitals, however, are normally prefecture-level officials unless the capital city is also a designated vice-provincial-level city.

Due to data availability, the above city-level analysis uses data for 2013 only. The limited data may cause one to suspect that the identified relationships between levels of housing difficulty and local spending on affordable housing in 2013 is perhaps because less affordable had responded by already building a lot of affordable housing before 2013. To address this concern, I use provincial-level data between 2010 and 2014 to partially replicate the above analysis and as a robustness check.

[Table 4 about here.]

Table 4 shows the results of the provincial-level analysis, using the two measures of housing difficulty as the key independent variables.<sup>60</sup> The findings are the same.

## **Conclusion**

Despite the prevalence and importance of campaigns in China's governance, the existing literature has yet to reach agreement on the effects of campaigns on policy outcomes. In particular, few studies have sought to systematically examine the policy outcomes of campaigns using quantitative data. To fill the lacuna in the literature, this article conducted an analysis of the national campaign launched by the central government between 2011 and 2015 to boost affordable housing provision. Using a city-level dataset on government spending on affordable housing, the empirical analysis examines how the campaign affected the local governments' efforts to build affordable housing. The results suggest that the campaign led successfully to a political mobilization outcome and unsuccessfully to a resource-misallocation outcome. On the one hand, the political mechanisms that linked officials' career prospects with their performance in constructing affordable housing strengthened the incentives of local officials to provide more affordable housing in their jurisdictions. On the other hand, the effects of the campaign on local officials' behavior varied between different types of localities—local officials in cities where residents faced greater housing difficulties responded less enthusiastically to the campaign; by contrast, local officials in cities where housing was more affordable and there was less need for government intervention nonetheless spent more on affordable housing. Such

<sup>60</sup> The analysis also controls for GDP per capita, fiscal expenditure per capita, and size of urban population, all in logged forms by one year.

variation in the local responses to the campaign led to distorted policy outcomes and misallocation of government resources.

While this research focuses on affordable housing provision, the theoretical analysis and empirical findings can be readily generalized to other policy and governance areas where campaign-style implementation is frequently employed. In a study of intellectual property rights (IPR) enforcement, Dimitrov suggested that instead of relying on campaigns, intellectual property rights enforcement should be carried out through legal-bureaucratic approaches in which the less politicized judicial system should play a leading role.<sup>61</sup> Similarly, Wong and Karplus argued that one problem in China's environment governance lies in the misalignment between the allocation of resources and the incentives of local bureaucrats.<sup>62</sup> The findings of this research regarding the outcomes of campaign-style implementation may also apply to these policy areas.

The findings of this research also have important implications for governance performance and regime resilience in China. In explaining the extraordinary resilience of the Chinese regime, scholars noted a gradual shift of government policy to place greater emphasis on social and welfare expenditures in recent decades,<sup>63</sup> and have coined concepts such as “authoritarian responsiveness” or “authoritarian accountability” to account for the strengthened government effort to address pressing social needs.<sup>64</sup> According to this scholarship, such government efforts take various forms ranging from “constituency services” via institutions such as the mayor’s mailbox or the petition system, to national programs that aim to more systematically improve the provision of public goods and social welfare.<sup>65</sup> The

<sup>61</sup> Martin Dimitrov, *Piracy and the State: The Politics of Intellectual Property Rights in China* (Cambridge University Press, 2009).

<sup>62</sup> Christine Wong and Valerie J. Karplus, “China’s War on Air Pollution: Can Existing Governance Structures Support New Ambitions?” *The China Quarterly*, 231 (2017): 662–684.

<sup>63</sup> Anna L. Ahlers, Thomas Heberer, and Gunter Schubert, “Whither Local Governance in Contemporary China? Reconfiguration for More Effective Policy Implementation,” *Journal of Chinese Governance*, 1 no.1 (2016): 55–77; Cai Zuo, “Promoting City Leaders: The Structure of Political Incentives in China,” *The China Quarterly*, 224, no.4 (2015): 955–984.

<sup>64</sup> Greg Distelhorst and Yue Hou, “Constituency Service under Nondemocratic Rule: Evidence from China,” *The Journal of Politics*, 79, no.3 (2017): 1024–1040. Chen, Jidong, Pan, Jennifer, and Xu, Yiqing. Sources of authoritarian responsiveness: A field experiment in China (*American Journal of Political Science*, 2015).

<sup>65</sup> Greg Distelhorst and Yue Hou, “Constituency Service under Nondemocratic Rule: Evidence from China,” *The Journal of Politics*, 79, no.3 (2017): 1024–1040; Anna L. Ahlers, Thomas Heberer, and Gunter Schubert, “Whither Local Governance in Contemporary China? Reconfiguration for More

changing government priorities as well as associated welfare programs have arguably showcased government accountability and won popular support for the regime.<sup>66</sup> Through a detailed analysis of the affordable housing campaign—one of the most prominent national welfare programs adopted in recent years—this research casts doubt on the effectiveness of such programs in addressing the underlying governance problems. The key to understand the compromised effectiveness lies in campaign-style implementation and its varying effects on the behavior of local officials across different types of localities. As a result, campaigns have led to significant gaps between government efforts and social needs. In other words, the accountability demonstrated in campaigns can be at best called “accountability at a distance”, meaning that national leaders prioritize the accomplishment of ambitious national-level targets, whereas local agents seek to achieve a balance between the political pressure from above and local interests. As a result, while campaigns may boost regime popularity in the short run, they also lead to distorted policy outcomes and misallocation of public resources. To achieve longer-term regime resilience, the CCP needs to reconsider its campaign-style policy implementation model and instead promote routinized and institutionalized implementation mechanisms to hold local officials more accountable to the interests and demands of citizens.

Effective Policy Implementation,” *Journal of Chinese Governance*, 1 no.1 (2016): 55–77; Matthias Stepan, Enze Han, and Tim Reeskens, “Building the New Socialist Countryside: Tracking Public Policy and Public Opinion Changes in China,” *The China Quarterly*, 226 (2016): 456– 476.

<sup>66</sup> Matthias Stepan, Enze Han, and Tim Reeskens, “Building the New Socialist Countryside: Tracking Public Policy and Public Opinion Changes in China,” *The China Quarterly*, 226 (2016): 456– 476; Xiaobo Lü, “Social Policy and Regime Legitimacy: The Effects of Education Reform in China,” *American Political Science Review*, 108 (2014): 423–437.

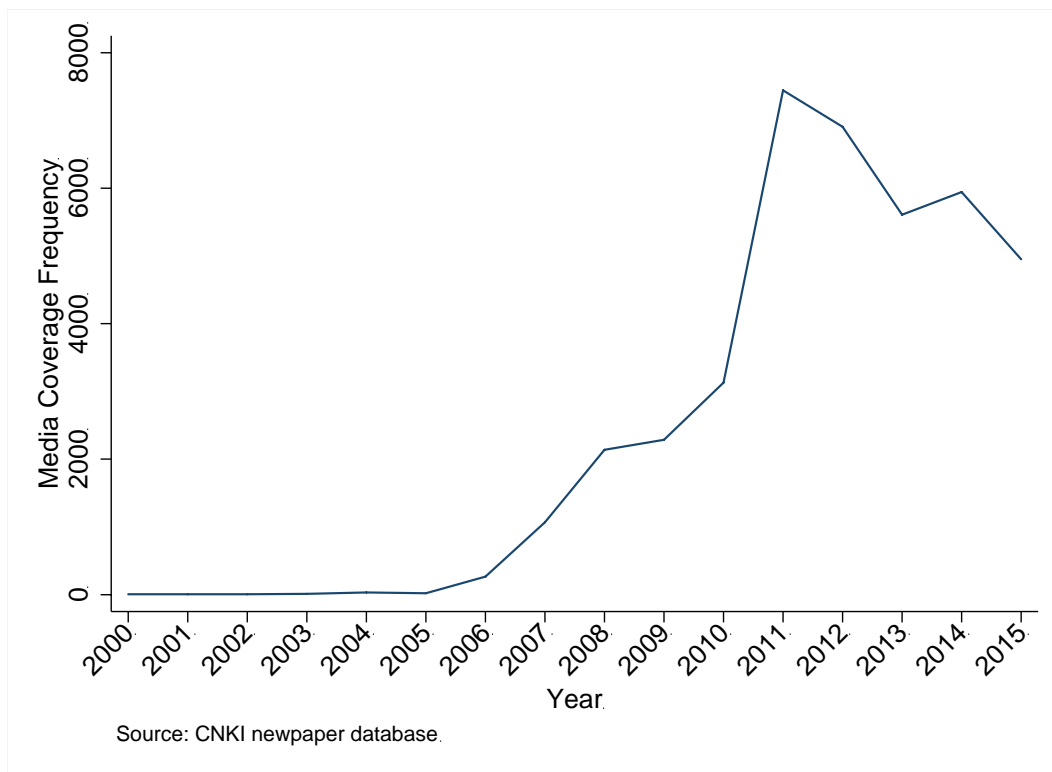


Figure 1: Media coverage on affordable housing 2000-2015

# Share of Fiscal Spending on Affordable Housing in Total Fiscal Expenditure in Chinese Cities

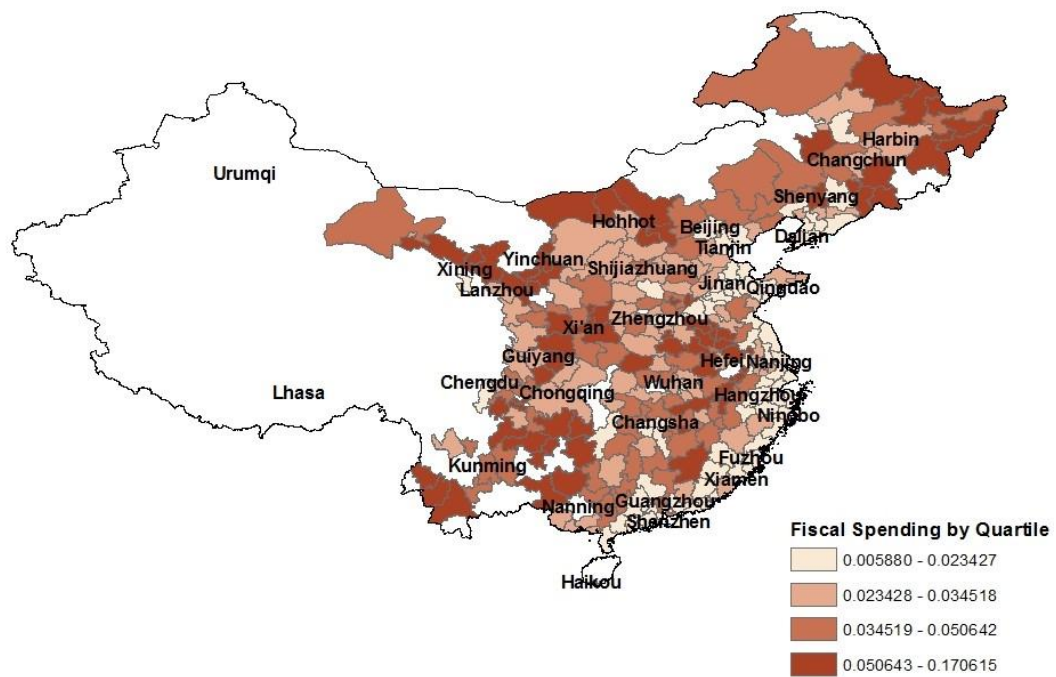


Figure 2: Share of Fiscal Spending on Affordable Housing by Quartile

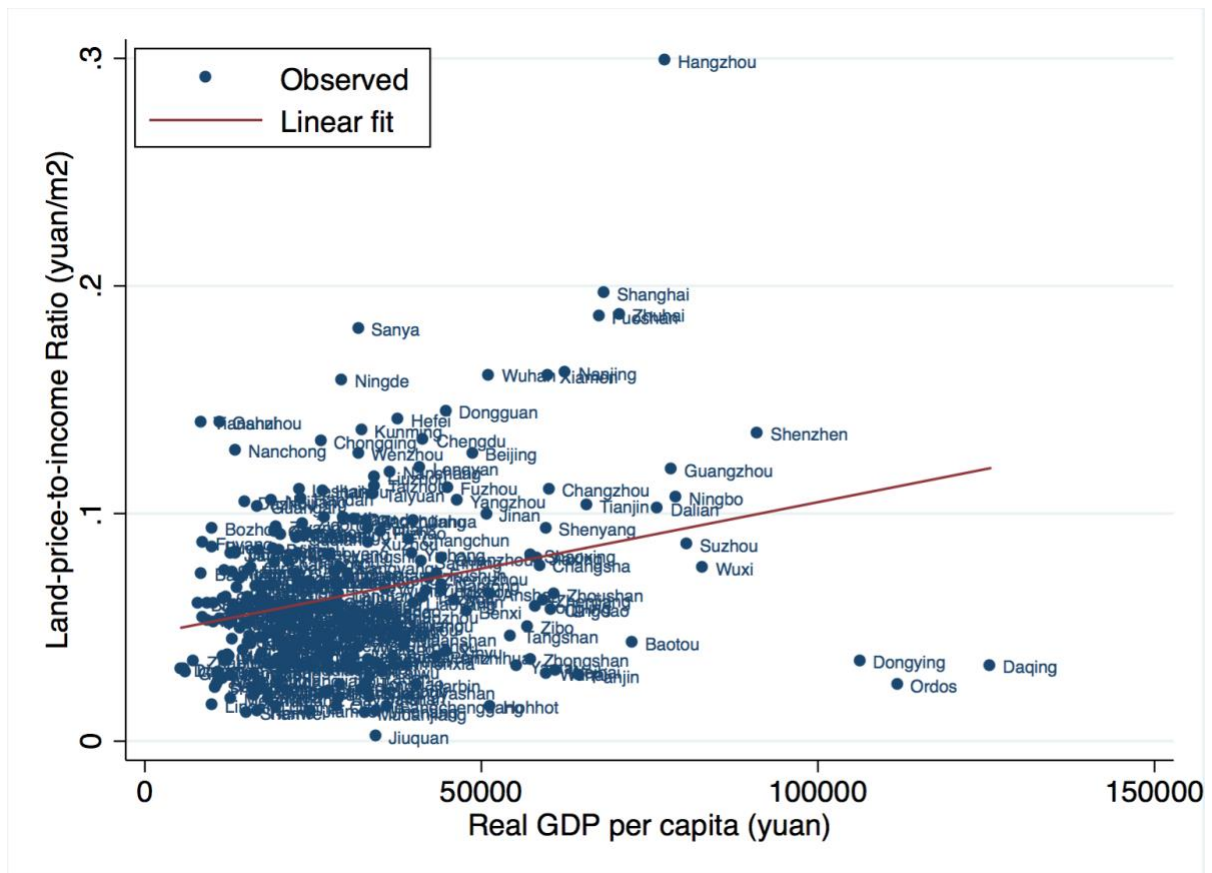


Figure 3: Plot of land-price-to-income ratio against GDP per capita

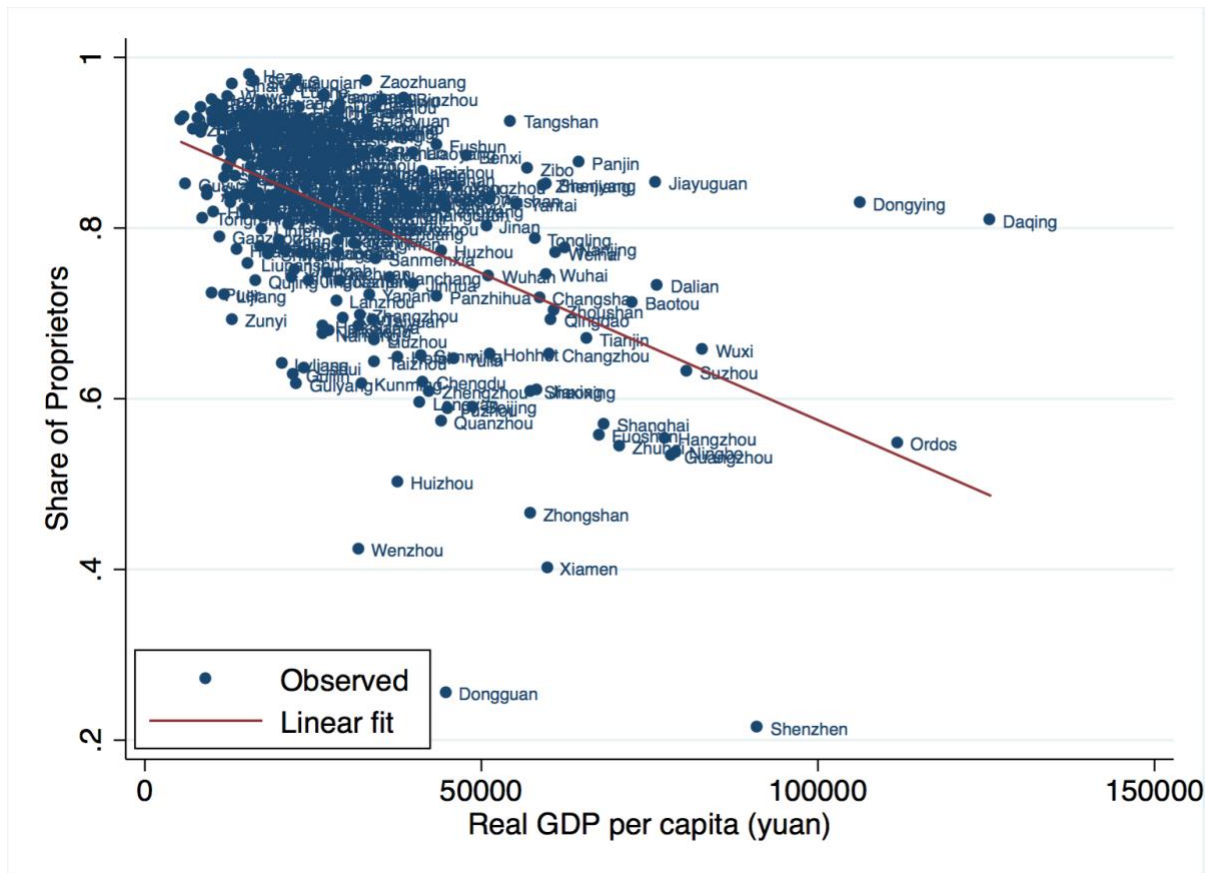


Figure 4: Plot of share of homeowners against GDP per capita



Table 1: Spending on Affordable Housing and Constructed Units (1994- 2015)

Year	Fiscal spending (billion yuan)			Units (million)	
	Total	Central funding	Local funding	Started	Completed
1994-2008	-	-	-	-	around 10
2009	-	55.06	-	4.52	3.30
2010	-	80.20	-	5.90	3.70
2011	334.29	179.13	155.16	10.43	4.32
2012	380.04	233.26	146.78	7.81	6.01
2013	381.67	200.03	181.64	6.66	5.44
2014	431.95	222.22	209.73	7.40	5.51
2015	488.10	254.83	233.27	7.83	7.72
Total	2016.05	1089.47	926.58	40.13	29.00

Data source: Ministry of Finance Website

Table 2: Explaining Affordable Housing Provision (All Cities)

Affordable housing spending	as % of total spending		per capita spending (log)	
	(1)	(2)	(3)	(4)
GDP per capita	-0.024*** (0.005)	-0.024*** (0.004)	-0.605*** (0.103)	-0.581*** (0.102)
Fiscal expenditure per capita	0.020*** (0.004)	0.024*** (0.005)	1.391*** (0.115)	1.461*** (0.115)
Population	-0.002 (0.002)	-0.004** (0.002)	-0.064 (0.051)	-0.110** (0.049)
Provincial experience (mayor)	0.006** (0.003)	0.005** (0.003)	0.149** (0.061)	0.148** (0.062)
Provincial experience (Party secretary)	0.002 (0.003)	0.002 (0.003)	0.069 (0.065)	0.050 (0.064)
Land-price-to-income ratio	-0.116*** (0.032)		-3.056*** (0.840)	
Share of homeowners		0.040*** (0.013)		0.819** (0.358)
Constant	0.343*** (0.050)	0.317*** (0.052)	4.554*** (1.064)	4.165*** (1.189)
R-squared	0.265	0.262	0.483	0.473
N. of cases	276	277	276	277

1 \* p < 0.10, \*\* p < 0.05, \*\*\* p < 0.01;

2 robust standard errors are in parentheses.

Table 3: Explaining Affordable Housing Provision (Prefectural-level Cities Only)

Affordable housing spending	as % of total fiscal spending		per capita spending (log)	
	(1)	(2)	(3)	(4)
GDP per capita	-0.025*** (0.005)	-0.024*** (0.005)	-0.600*** (0.107)	-0.572*** (0.105)
Fiscal expenditure per capita	0.022*** (0.005)	0.026*** (0.005)	1.390*** (0.123)	1.479*** (0.119)
Population	-0.003 (0.002)	-0.004* (0.002)	-0.102* (0.059)	-0.139** (0.056)
Provincial experience (mayor)	0.005* (0.003)	0.005* (0.003)	0.149** (0.064)	0.149** (0.064)
Provincial experience (Party secretary)	0.002 (0.003)	0.001 (0.003)	0.060 (0.069)	0.047 (0.068)
Land-price-to-income ratio	-0.130*** (0.040)		-3.160*** (1.002)	
Share of homeowners		0.040*** (0.015)		0.928** (0.395)
Constant	0.353*** (0.055)	0.325*** (0.057)	5.043*** (1.138)	4.412*** (1.266)
R-squared	0.254	0.248	0.494	0.488
N. of cases	247	248	247	248

<sup>1</sup> \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ ;

<sup>2</sup> robust standard errors are in parentheses;

<sup>3</sup> observations with missing value are excluded.

Table 4: Explaining Affordable Housing Provision 2010-2014 (Provincial-level Analysis)

Affordable housing spending	as % of total fiscal spending		per capita spending (log)	
	(1)	(2)	(3)	(4)
GDP per capita	-0.020*** (0.003)	-0.020*** (0.003)	-0.004 (0.005)	-0.008 (0.005)
Fiscal expenditure	0.024*** (0.006)	0.025*** (0.006)	0.048*** (0.010)	0.050*** (0.010)
Population	-0.026*** (0.005)	-0.028*** (0.005)	-0.061*** (0.009)	-0.062*** (0.009)
Land-price-to-income ratio	-0.081*** (0.018)		-0.125*** (0.025)	
Share of homeowners		0.030** (0.012)		0.019 (0.016)
2011	0.011*** (0.003)	0.010*** (0.003)	0.012*** (0.004)	0.011*** (0.004)
2012	0.011*** (0.003)	0.009*** (0.003)	0.012*** (0.004)	0.010** (0.004)
2013	0.005* (0.003)	0.003 (0.003)	0.005 (0.004)	0.004 (0.005)
2014	0.006 (0.004)	0.005 (0.004)	0.005 (0.006)	0.005 (0.006)
Constant	0.386*** (0.033)	0.357*** (0.040)	0.463*** (0.062)	0.472*** (0.065)
R-squared	0.682	0.661	0.692	0.660
N. of cases	150	150	150	150

<sup>1</sup> \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ ;

<sup>2</sup> robust standard errors are in parentheses;

<sup>3</sup> observations with missing value are excluded.

